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TAGS: [ECON](#) [EFIN](#) [ENIV](#) [CU](#) [AR](#)
SUBJECT: NO DEBT RELIEF FOR CUBA YET

Classified By: Ambassador Lino Gutierrez for reasons 1.4 b and d

11. (C) Summary: Despite a GOA debt restructuring offer in 2003 and a partial rescheduling agreement announced in 2004, Cuba's USD 2 billion debt to Argentina has not been reduced, nor have the two governments reached any lasting agreement on how to treat it. Cuba's debt was transferred to the books of the state-owned foreign trade and investment bank (BICE) in 12005. BICE director Jose Luis Entin told Finoff that the GOC had "reinterpreted" prior restructuring agreements, and that they consider the debt uncollectable under current political conditions. End summary.

12. (U) In October 2003, according to press reports, then-GOA Foreign Minister Rafael Bielsa traveled to Cuba to discuss the possibility of resolving Cuba's unpaid USD 1.9 billion debt to Argentina. Bielsa said before the trip that he would propose a 50 percent reduction in exchange for Cuba allowing greater Argentine investment. Under Bielsa's proposal, the GOA would have emitted bonds that could be purchased by Argentine companies and be used for investment in trade or tourism projects in Cuba. The Cuban government responded by asking the GOA for debt relief on terms equal to those that the GOA was then demanding from its private creditors (i.e., principal and interest reductions totaling approximately 75 percent). Subsequently, in February 2004, Cuban Foreign Minister Felipe Roque Perez and Bielsa announced an agreement under which USD 50 million of the debt would be forgiven over five years in exchange for medical treatment for poor argentinians, with the remainder of the debt still under discussion. The issue then vanished from public discussion.

13. (C) Ministry of Economy contacts told Finoff in December 2005 that Cuba's debt to Argentina had been transferred from the Ministry of Economy to BICE, the state-owned foreign trade and investment bank. Finoff spoke January 23 with Jose Luis Entin, BICE's director for legal affairs, about the status of the Cuban debt. Entin said that the Cuban debt was being carried on BICE's books as outstanding debt, and that the total was now approximately USD 2 billion. He said that Cuban debt had been accumulating since the 1970s Peron administration, and that 75-80 percent of the total was past-due interest. MinEcon transferred the debt to BICE because all of it, to the best of Entin's knowledge, was unpaid trade credits and because Min Econ no longer wanted to deal with the problem. (Note: most of the debt originated from an agreement under which Argentina loaned Cuba money to buy Argentine motor vehicles and farm equipment. End note.)

14. (C) Asked about Cuba's proposal for restructuring the debt on the same terms as the GOA restructured its private debt, and the agreement to trade medical services to retire the debt, Entin said he was unaware of any agreement on terms similar to the GOA debt restructuring. He then expressed his frustration, saying that "we've had more than one agreement with Cuba on how to treat the debt, but each time we have

one, some commissar decides to re-interpret the agreement 30
days later," and that under current political conditions,
"the debt is uncollectable."
GUTIERREZ